

WILLIAM H. SORRELL
ATTORNEY GENERAL

SUSANNE YOUNG
DEPUTY ATTORNEY GENERAL

WILLIAM E. GRIFFIN
CHIEF ASST. ATTORNEY GENERAL



TEL: (802) 828-3171
FAX: (802) 828-2154

**STATE OF VERMONT
OFFICE OF THE ATTORNEY GENERAL
109 STATE STREET
MONTPELIER
05609-1001**

**Testimony of Vermont Attorney General William H. Sorrell
Before the United States House of Representatives
Committee on Energy and Commerce
Subcommittee on Commerce, Manufacturing, and Trade
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Summary

Chairman Terry, Ranking Member Schakowsky, and members of the Subcommittee, thank you for the opportunity to testify today. The issue of abusive patent demand letters is important to many of my constituents in Vermont, including small businesses, banks, credit unions, and non-profit organizations. It is also an issue of significance to me, and one that the Vermont Attorney General's Office has been actively working on for over a year.

Many Vermont businesses and non-profits have received abusive patent demand letters. For clarification, abusive demand letters, as I see them, are not straightforward allegations of infringement sent by competitors in an attempt to negotiate a reasonable license. Instead, demand letters are abusive if they, for example, are indiscriminately sent to businesses with little or no understanding of patents; are so vague as to not provide the recipient with a basic understanding of the patent, the alleged infringement, and the party with whom they are negotiating; or include misleading or untruthful statements in an attempt to influence the recipient's behavior.

This is a serious consumer protection issue. Many of these patent demands never result in litigation but they do impose real costs. The imbalance of information coupled with the aggressive and threatening tactics of some patent assertion entities leaves many businesses with few choices. The license may only be offered for a limited amount of time and the letter may threaten expensive litigation if the recipient does not pay. Small businesses and non-profits that are targeted with these letters often conclude that paying for a license is the only practical option.

My office has been actively working on ways to identify and investigate patent holders that are engaging in unfair and deceptive acts. We have taken enforcement action under the Vermont Consumer Protection Act to prevent bad actors from using unfair and deceptive tactics on Vermont businesses. Vermont's legislature has also enacted legislation designed to provide both targets of abusive demand letters and my office with additional tools.

The federal government should also take action to bolster the states' efforts to protect small businesses and non-profits. These actions should include:

- Passing legislation that requires specific disclosures to increase transparency in patent demand letters and confirms that patent holders are prohibited from engaging in unfair and deceptive practices in the enforcement of their patents.
- Confirming the authority of state law enforcement agencies to enforce consumer protection statutes, as well as other statutes, to protect constituents against abusive patent demand letters.

Dangers of Abusive Demand Letters

I have supported proposed patent litigation reform efforts and am heartened by serious work being done in Congress to address these important and complicated issues. However, litigation reform alone fails to address a large part of the abusive patent assertion problem, because it does not temper the practice of entities sending unfair and deceptive demand letters.

The limited research available confirms the experience of my office, which is that the majority of businesses receiving demand letters are never actually sued. One academic study found that of seventy-nine startup companies that reported receiving demand letters, two-thirds were never sued.¹ One estimate of the ratio of demand letters to suits actually filed is 100:1.² This disparate ratio between demand letters sent by patent assertion entities and lawsuits actually filed is illustrated by many of the more prominent patent assertion campaigns. One patent assertion entity, Innovatio IP Ventures, LLC, which claimed a patent on wi-fi technology, sent over 8,000 letters to targets around the country seeking licensing fees,³ but ultimately filed only 27 infringement lawsuits.⁴ My office has filed suit against MPHJ Technology Investments, LLC, alleging that it has violated Vermont's consumer protection statute by engaging in unfair acts and including deceptive statements in its demand letters. MPHJ sent demand letters to seventy-five Vermont businesses and non-profits in 2012 and 2013,⁵ and, to date, has not filed suit against any of them. Nationally, MPHJ has sent over 16,000 patent demand letters,⁶ and has sued just five businesses.⁷

¹ Colleen Chien, *Startups and Patent Trolls*, Santa Clare Univ. Legal Studies Research Paper No. 09-12, p.3 n.14 (Sept. 28, 2012).

² Colleen Chien, *Introduction to Patent Assertion Entity Activity*, Department of Justice, Federal Trade Commission Workshop on Patent Assertion Entity Activity, *Washington, DC*, (December 10, 2012), available at <http://www.justice.gov/atr/public/workshops/pae/>.

³ See *Innovatio IP Ventures, LLC Patent Litigation*, 921 F. Supp. 2d 903, 907 (N.D. Ill. 2013).

⁴ PACER search conducted on April 4, 2014 confirming that Innovatio IP Ventures, LLC was the plaintiff in 27 patent lawsuits.

⁵ See State of Vermont's Opposition to Defendant's Motion to Dismiss for Lack of Personal Jurisdiction at 4 n.1, *Vermont v. MPHJ Tech. Invs., LLC*, No. 2:13-cv-00170 (D. Vt. Nov. 17, 2013), available at <http://www.atg.state.vt.us/assets/files/MPHJ%20-%20State%20Opposition%20to%20Motion%20to%20Dismiss.pdf>.

⁶ See Complaint at ¶¶ 82, 104, *MPHJ Tech. Invs., LLC v. Federal Trade Commission*, No. 6:14-cv-11 (W.D. Tex. Jan. 13, 2014) (indicating that MPHJ sent letters to 6,000 companies with 25 to 49 employees and approximately 10,000 companies with 50 to 99 employees), available at

Specific data on the proliferation of patent demand letters is not available because, unlike lawsuits, the letters are not publicly available. This means we have limited information about both the number of demand letters sent and the response that patent holders get from recipients. However, there is clearly a volume-based model of patent enforcement that involves sending large numbers of demand letters with the aim of extracting a relatively small licensing fee from many targets. Patent assertion entities following this model often target small businesses and non-profits that do not have in-house legal counsel and have never retained patent counsel. It costs these targeted businesses thousands of dollars to retain patent counsel just to provide a simple opinion on the patent and its applicability.⁸ Moreover, if they choose to litigate, the median cost for defending claims of patent infringement by non-practicing entities⁹ ranges from \$600,000 to \$4,000,000 depending on the amount of money at risk.¹⁰ By asking for a license fee that is significant, but far less than the cost of even successful litigation, there is a strong incentive for less sophisticated companies to pay for the license. For example, MPHJ, the patent assertion entity that we have sued, asked for license fees ranging from \$900 to \$1200 per

<http://ia600804.us.archive.org/28/items/gov.uscourts.txwd.669787/gov.uscourts.txwd.669787.1.0.pdf> (hereinafter “MPHJ-FTC Complaint”).

⁷ See *MPHJ Tech. Invs., LLC v. Dillard's Inc.*, No. 1:14-cv-00004 (D. Del. filed Jan. 1, 2014); *MPHJ Tech. Invs., LLC v. Unum Group*, No. 1:14-cv-00006 (D. Del. filed Jan. 3, 2014); *MPHJ Tech. Invs., LLC v. Coca-Cola Company*, No. 1:14-cv-00003 (D. Del. filed Jan. 3, 2014); *MPHJ Tech. Invs., LLC v. Huhtamaki Americas Inc.*, No. 1:14-cv-00005 (D. Del. filed Jan. 3, 2014); *MPHJ Tech. Invs., LLC v. Research Now, Inc.*, No. 2:13-cv-00962 (E.D. Tex. filed Nov. 19, 2013).

⁸ See American Intellectual Property Law Association, *Report of the Economic Survey 2013* at 27 (2013) (noting that the median charge for a “combination validity and infringement per patent” in 2012 was approximately \$15,000).

⁹ A non-practicing entity primarily makes money based on the licensing and enforcement of its patents rather than the making or selling of products or services.

¹⁰ See *id.* at 35.

employee.¹¹ For many of the very small businesses targeted by MPHJ, the cost of a license would have been less than consulting with a patent attorney.

Given the significant cost of litigation, the story often ends with the demand letter. This is why it is important to assure that demand letters are transparent, understandable, and truthful. In my experience, this is often not the case. It is not uncommon for such letters to:

- be sent with little or no investigation to determine whether the recipient is or could be infringing the relevant patents;
- provide very limited information regarding the relevant patents;
- be sent from shell corporations, requiring the recipient to track down the true owner of the patent;
- threaten imminent litigation if a licensing fee is not paid;
- be sent without the intention of filing litigation;
- warn recipients of the significant costs associated with litigation if the recipient does not purchase a license;
- be targeted to smaller businesses that are less likely to have the resources or legal staff to fight back; and
- be sent to the end-users of technology rather than the manufacturer of the product that is giving rise to the alleged infringement.

For example, in the case of MPHJ, the demand letters sent to Vermont businesses were sent from forty different shell corporations that were wholly owned subsidiaries of MPHJ.¹² The Federal Trade Commission (“FTC”), in a draft complaint that it provided to MPHJ, alleged that there were over eighty subsidiaries of MPHJ sending letters nationwide.¹³ The use of shell

¹¹ See Consumer Protection Complaint at ¶ 23, *Vermont v. MPHJ Tech. Invs., LLC*, No. 282-5-13Wnc (Vt. Super. Ct. May 8, 2013), available at <http://www.atg.state.vt.us/assets/files/MPHJ%20-%20Complaint.pdf>.

¹² *Id.* at ¶ 3.

¹³ The FTC’s draft complaint was made public in a lawsuit filed by MPHJ against the FTC. See *MPHJ-FTC Complaint* at Exhibit F, available at https://www.eff.org/files/2014/01/14/draft_ftc_complnt_to_mphj.pdf.

corporations makes it difficult for unsophisticated small businesses to identify the real owner of the patent, and it makes it more challenging for recipients of such demand letters to locate and communicate with others who have been targeted. Another example of the lack of transparency in demand letters can be seen in letters sent by Automated Transactions, LLC. Some publicly available examples of these letters provide almost no explanation of the scope of the patent or its claims, leaving recipients without a basis for evaluating whether it is infringing.¹⁴

Patent reform that fails to address the proliferation of abusive demand letters only addresses a fraction of the problem. Because businesses face substantial financial risks associated with litigation, much of the activity around patent enforcement happens before court. For this reason, it is essential that the federal government and the states take action to assure that these pre-litigation transactions are taking place in an honest and fair way with sufficient transparency for businesses to make reasonable and informed decisions.

State Efforts to Address Abusive Demand Letters

States have been grappling with the problem of abusive patent demand letters. As I discussed earlier, my office is currently engaged in litigation with MPHJ, which is a patent assertion entity that we believe engaged in unfair and deceptive acts to convince small businesses and non-profits in Vermont to pay licensing fees. Other states, including Nebraska, Minnesota, and New York have also investigated MPHJ. New York has entered into a settlement with MPHJ intended to increase the transparency in their patent demand letters.¹⁵ Many other states are

¹⁴ See *Protecting Small Businesses and Promoting Innovation by Limiting Patent Troll Abuse Before Senate Committee on the Judiciary*, 113th Cong. (2013) (Statement for the Record on Behalf of the American Bankers Association), available at <http://www.aba.com/Advocacy/LetterstoCongress/Documents/PatentTrolls-SJUDStatementforRecord-121713.pdf>.

¹⁵ See Assurance of Discontinuance, No. 14-015 (Jan. 13, 2014), available at <http://www.ag.ny.gov/pdfs/FINALAODMPHJ.pdf>.

similarly investigating the possibility of unfair and deceptive activities by other patent assertion entities.

Additionally, Vermont passed legislation almost a year ago that took a number of steps to curb the activity of patent assertion entities sending demand letters in bad faith to Vermont businesses and non-profits. The law, as passed, is Exhibit A to my testimony. This law prohibits bad faith assertions of patent infringement, and it identifies a number of factors as evidencing bad faith, including the absence of a patent number and the name and address of the patent holder in the letter; failing to compare the patent's claims to the target's products, services, or technology; and demanding a license fee in an unreasonably short period of time. The legislation provides for enforcement authority by the Attorney General as well as a private right of action that empowers recipients of bad faith patent assertions to move forward themselves.¹⁶ A number of other states are considering comparable legislation,¹⁷ and Oregon,¹⁸ Utah,¹⁹ Wisconsin,²⁰ and Virginia²¹ have passed similar legislation this year in an attempt to begin addressing the issue of abusive patent demand letters.

¹⁶ See 9 V.S.A. §§ 4195-99, available at <http://www.leg.state.vt.us/statutes/sections.cfm?Title=09&Chapter=120>.

¹⁷ See, e.g., S.B. 116, Reg. Sess. (Ky. 2014) (passed Senate and pending in the House), available at <http://www.lrc.ky.gov/record/14RS/SB116.htm>; H.B. 1374, 97th Gen. Assemb., 2nd Reg. Sess. (Mo. 2014) (passed House and pending in Senate), available at <http://www.house.mo.gov/BillActions.aspx?bill=HB1374&year=2014&code=R>.

¹⁸ See S.B. 1540, 77th Leg., Reg. Sess. (Or. 2014), available at <https://olis.leg.state.or.us/liz/2014R1/Measures/Overview/SB1540>.

¹⁹ See H.B. 117, Gen. Sess. (Utah 2014), available at <http://le.utah.gov/~2014/bills/static/HB0117.html>.

²⁰ See S.B. 498, 2013-2014 Leg., Reg. Sess. (Wis. 2014) (the Wisconsin legislature has passed the bill, but it has not been signed by the governor), available at <http://docs.legis.wisconsin.gov/2013/related/proposals/sb498>.

²¹ See S.B. 150, 2014 Sess. (Va. 2014) (the Virginia legislature has passed the bill, but it has not been signed by the governor), available at <http://leg1.state.va.us/cgi-bin/legp504.exe?141+cab+SC10129SB0150+UCSB2>.

Even as the states take efforts both through enforcement action and through legislation to address abusive patent demand letters, my office continues to field complaints from small businesses that are being targeted by predatory patent assertion practices. These businesses often lack the resources to effectively fight a patent challenge and are unable to evaluate an appropriate course of action based on the information in the letters that they receive. It is in this context, where a large number of small businesses and non-profits are being targeted by unfair and deceptive practices, that states and the FTC can effectively protect the public.

Our experience litigating against MPHJ illustrates why congressional action would help state and federal regulators do their jobs better. Eleven months after Vermont filed its consumer protection action against MPHJ, we have had no discovery and no proceedings on the merits. MPHJ removed the case to federal court, even though Vermont sued solely under state law; they have argued that Vermont courts do not have personal jurisdiction over MPHJ; and they have continually insisted that the entire case is preempted by federal law. We are waiting for the federal district court to rule on these issues. And MPHJ has fought the FTC's regulation as well. MPHJ sued the FTC after learning of its investigation. They claim that the FTC has no statutory authority to police their conduct. I believe that MPHJ's understanding of personal jurisdiction, preemption, and the scope of state and federal authority to enforce consumer protection statutes is mistaken. But federal legislation clarifying these issues and confirming state authority would make it far easier for states and the FTC to curb these abusive practices.

First, Congressional confirmation of personal jurisdiction would be valuable in facilitating appropriate enforcement action by the states. Patent assertion entities typically argue that they cannot be sued in the states where they targeted businesses with demand letters. Despite acknowledging that the constitutional requirement of "minimum contacts" is satisfied, the

Federal Circuit, which hears all patent appeals, has found that the courts in the state where a recipient received a patent demand letter do not have personal jurisdiction to hear a declaratory judgment action against the patent holder to decide the validity or scope of the patent.²² The Federal Circuit has concluded that there are “policy considerations unique to the patent context”²³ that limit personal jurisdiction in these cases. Congress can and should confirm that the Federal Circuit’s reasoning in these cases has no relevance to consumer protection actions and that a state has personal jurisdiction to enforce its laws against patent holders that send demand letters into the state.

Congress can also support states’ efforts to deal with this difficult issue by confirming that state-law claims that demand letters are unfair or deceptive are not preempted by federal patent law. MPHJ, for example, has argued that any enforcement action under state law relating to the content of patent demand letters is preempted by federal patent law unless Vermont can prove that the patent was either invalid or objectively not infringed.²⁴ This position fails to address the rampant problem of patent assertion entities sending vague and misleading letters to businesses and non-profits that they know little or nothing about. In these instances, the validity of the patent is not the point; it is the letters that are problematic and unfair. It is nonsensical to think that patent law preempts claims that are unrelated to the patent itself, but instead seek to address the unfair and deceptive acts of the patent holder.

²² *Silent Drive, Inc. v. Strong Indus., Inc.*, 326 F.3d 1194, 1206 (Fed. Cir. 2003).

²³ *Id.*

²⁴ See MPHJ Technology Investments, LLC’s Memorandum in Support of its Motion for Sanctions Under Rule 11, 28 U.S.C. § 1927, and the Court’s Inherent Authority at 16, 19, *Vermont v. MPHJ Tech. Invs., LLC*, 2:13-cv-00170 (D. Vt. Feb. 7, 2014).

Recommendations for Federal Action

The states are actively utilizing the tools available to them to combat a problem that unnecessarily disrupts and interferes with the everyday activities of businesses. There are a number of actions that the federal government can take to both affirmatively protect businesses and non-profits from predatory and abusive demand letters and assist states in their ongoing efforts.

Requiring specific disclosures to increase transparency and confirming the prohibition on unfair and deceptive acts in patent demand letters. This Subcommittee has recognized the need to distinguish between “bad actors” and those “entities with significant patent holdings [that] use demand letters to engage other companies in lawful and productive discussions around their businesses.”²⁵ This distinction is important. It is the unfair and abusive actions of certain patent assertion entities that distinguishes them from legitimate patent holders attempting to negotiate fair and reasonable licenses for their inventions. Part of the solution is transparency. Congress should be specifying that certain information must be provided in patent demand letters, such as: patent numbers, descriptions of the patents, owners of the patents, the relevant claims of the patents, pending or completed administrative or judicial proceedings regarding the patents, and an explanation of how the recipient’s product or service allegedly infringes the patents. Failing to include this information makes patent demand letters misleading and it limits the ability of the recipient to reasonably evaluate the asserted infringement.

In addition to requiring transparency, patent holders should be held accountable for making unfair and deceptive statements in their letters. For example, they should not be allowed

²⁵ *Trolling for a Solution: Ending Abusive Patent Demand Letters: Hearing Before the H. Subcomm. on Commerce, Manufacturing, and Trade*, 113th Cong. (April 8, 2014), available at <http://energycommerce.house.gov/press-release/hearing-notice-subcommittee-commerce-manufacturing-and-trade>.

to threaten lawsuits that they are neither able nor intending to file, to inaccurately or inadequately describe the response that they have gotten from other businesses, or to provide an unreasonably short time to pay for a license. Congress should confirm both that such activities are unfair and deceptive and that the FTC and states have authority to protect businesses against such practices. By both increasing transparency and confirming that patent holders do not have a pass to engage in unfair and deceptive acts, Congress will allow recipients of demand letters to more fully evaluate their options and allow the FTC and states to prevent unfair and deceptive practices.

Congress should confirm the authority of states, under both traditional consumer protection statutes and new legislation addressing bad faith assertions of infringement, to protect businesses and non-profits targeted by entities sending abusive patent demand letters. As discussed earlier, in seeking to protect Vermont businesses from unfair and deceptive acts by patent holders, my office has faced claims that such enforcement action is preempted by federal patent law and that there is no personal jurisdiction in the State of Vermont over an entity that had offered licenses to seventy-five businesses in the state. Congressional action can confirm state authority on both points.

With respect to preemption, I ask that Congress clarify that federal patent law preempts only the subject areas in which it covers, and does not grant general immunity for patent holders to mislead and confuse recipients of patent demand letters. States are not trying to undermine the validity of patents. States are challenging activities such as sending letters indiscriminately; providing inadequate information for the recipient of a letter to evaluate whether its products or services are infringing; and including misleading information designed to intimidate the recipient of a letter into quickly taking a license. These are unfair and deceptive acts that the states are experienced at evaluating and equipped to protect against. By confirming that federal patent laws

do not preempt the enforcement of state laws that are unrelated to substantive questions of patent law, states will be able to move forward with greater confidence in addressing abusive patent demand letters.

The question of personal jurisdiction can similarly be addressed by Congress, as it is policy considerations that justify the Federal Circuit's bright line rule that sending demand letters does not give rise to personal jurisdiction over a patent action for declaratory judgment. In order for states to effectively protect local businesses, I ask that confirm that no policy considerations grounded in federal patent law prevent states from exercising jurisdiction over entities that send unfair and deceptive patent demand letters in the states.

Providing a framework to address the most egregious patent demand letters, while clarifying the authority of both the FTC and the states to take enforcement actions against the patent holders that engage in unfair and deceptive practices are both important steps that Congress can take to address the dangers of abusive demand letters.

Conclusion

The states have direct and ongoing contact with businesses and non-profits that are often the targets of abusive patent demand letters. My office, in the small state of Vermont, has received numerous calls from small businesses that have received abusive letters and are trying to determine an appropriate course of action. Acting on little information, and often without legal assistance because it is not affordable, small businesses pay thousands of dollars in licensing fees for standard products being used for their advertised purpose or live with the fear that they will be sued. It is imperative that these small businesses be provided with the basic level of information necessary to evaluate their options and to not be misled or treated unfairly while doing so. It is also necessary that both the states and the FTC have the authority to intervene to

protect these small businesses and non-profits when patent demand letters are vague, unclear, and misleading.

Thank you very much for your attention to this very important matter.

Exhibit A

The Vermont Statutes Online

Title 9: Commerce and Trade

Chapter 120: BAD FAITH ASSERTIONS OF PATENT INFRINGEMENT

§ 4195. Legislative findings and statement of purpose

(a) The General Assembly finds that:

(1) Vermont is striving to build an entrepreneurial and knowledge based economy. Attracting and nurturing small- and medium-size Internet technology ("IT") and other knowledge-based companies is an important part of this effort and will be beneficial to Vermont's future.

(2) Patents are essential to encouraging innovation, especially in the IT and knowledge-based fields. The protections afforded by the federal patent system create an incentive to invest in research and innovation, which spurs economic growth. Patent holders have every right to enforce their patents when they are infringed, and patent enforcement litigation is necessary to protect intellectual property.

(3) The General Assembly does not wish to interfere with the good faith enforcement of patents or good faith patent litigation. The General Assembly also recognizes that Vermont is preempted from passing any law that conflicts with federal patent law.

(4) Patent litigation can be technical, complex, and expensive. The expense of patent litigation, which may cost hundreds of thousands of dollars or more, can be a significant burden on small- and medium-size companies. Vermont wishes to help its businesses avoid these costs by encouraging the most efficient resolution of patent infringement claims without conflicting with federal law.

(5) In order for Vermont companies to be able to respond promptly and efficiently to patent infringement assertions against them, it is necessary that they receive specific information regarding how their product, service, or technology may have infringed the patent at issue. Receiving such information at an early stage will facilitate the resolution of claims and lessen the burden of potential litigation on Vermont companies.

(6) Abusive patent litigation, and especially the assertion of bad faith infringement claims, can harm Vermont companies. A business that receives a letter asserting such claims faces the threat of expensive and protracted litigation and may feel that it has no choice but to settle and to pay a licensing fee, even if the claim is meritless. This is especially so for small- and medium-

size companies and nonprofits that lack the resources to investigate and defend themselves against infringement claims.

(7) Not only do bad faith patent infringement claims impose a significant burden on individual Vermont businesses, they also undermine Vermont's efforts to attract and nurture small- and medium-size IT and other knowledge-based companies. Funds used to avoid the threat of bad faith litigation are no longer available to invest, produce new products, expand, or hire new workers, thereby harming Vermont's economy.

(b) Through this narrowly focused act, the General Assembly seeks to facilitate the efficient and prompt resolution of patent infringement claims, protect Vermont businesses from abusive and bad faith assertions of patent infringement, and build Vermont's economy, while at the same time respecting federal law and being careful to not interfere with legitimate patent enforcement actions. (Added 2013, No. 44, § 6; 2013, No. 47, § 2, eff. May 24, 2013.)

§ 4196. Definitions

In this chapter:

(1) "Demand letter" means a letter, e-mail, or other communication asserting or claiming that the target has engaged in patent infringement.

(2) "Target" means a Vermont person:

(A) who has received a demand letter or against whom an assertion or allegation of patent infringement has been made;

(B) who has been threatened with litigation or against whom a lawsuit has been filed alleging patent infringement; or

(C) whose customers have received a demand letter asserting that the person's product, service, or technology has infringed a patent. (Added 2013, No. 44, § 6; 2013, No. 47, § 2, eff. May 24, 2013.)

§ 4197. Bad faith assertions of patent infringement

(a) A person shall not make a bad faith assertion of patent infringement.

(b) A court may consider the following factors as evidence that a person has made a bad faith assertion of patent infringement:

(1) The demand letter does not contain the following information:

(A) the patent number;

(B) the name and address of the patent owner or owners and assignee or assignees, if any; and

(C) factual allegations concerning the specific areas in which the target's products, services, and technology infringe the patent or are covered by the claims in the patent.

(2) Prior to sending the demand letter, the person fails to conduct an analysis comparing the claims in the patent to the target's products, services, and technology, or such an analysis was done but does not identify specific areas in which the products, services, and technology are covered by the claims in the patent.

(3) The demand letter lacks the information described in subdivision (1) of this subsection, the target requests the information, and the person fails to provide the information within a reasonable period of time.

(4) The demand letter demands payment of a license fee or response within an unreasonably short period of time.

(5) The person offers to license the patent for an amount that is not based on a reasonable estimate of the value of the license.

(6) The claim or assertion of patent infringement is meritless, and the person knew, or should have known, that the claim or assertion is meritless.

(7) The claim or assertion of patent infringement is deceptive.

(8) The person or its subsidiaries or affiliates have previously filed or threatened to file one or more lawsuits based on the same or similar claim of patent infringement and:

(A) those threats or lawsuits lacked the information described in subdivision (1) of this subsection; or

(B) the person attempted to enforce the claim of patent infringement in litigation and a court found the claim to be meritless.

(9) Any other factor the court finds relevant.

(c) A court may consider the following factors as evidence that a person has not made a bad faith assertion of patent infringement:

(1) The demand letter contains the information described in subdivision (b)(1) of this section.

(2) Where the demand letter lacks the information described in subdivision (b)(1) of this section and the target requests the information, the person provides the information within a reasonable period of time.

(3) The person engages in a good faith effort to establish that the target has infringed the patent and to negotiate an appropriate remedy.

(4) The person makes a substantial investment in the use of the patent or in the production or sale of a product or item covered by the patent.

(5) The person is:

(A) the inventor or joint inventor of the patent or, in the case of a patent filed by and awarded to an assignee of the original inventor or joint inventor, is the original assignee; or

(B) an institution of higher education or a technology transfer organization owned or affiliated with an institution of higher education.

(6) The person has:

(A) demonstrated good faith business practices in previous efforts to enforce the patent, or a substantially similar patent; or

(B) successfully enforced the patent, or a substantially similar patent, through litigation.

(7) Any other factor the court finds relevant. (Added 2013, No. 44, § 6; 2013, No. 47, § 2, eff. May 24, 2013.)

§ 4198. Bond

Upon motion by a target and a finding by the court that a target has established a reasonable likelihood that a person has made a bad faith assertion of patent infringement in violation of this chapter, the court shall require the person to post a bond in an amount equal to a good faith estimate of the target's costs to litigate the claim and amounts reasonably likely to be recovered under subsection 4199(b) of this chapter, conditioned upon payment of any amounts finally determined to be due to the target. A hearing shall be held if either party so requests. A bond ordered pursuant to this section shall not exceed \$250,000.00. The court may waive the bond requirement if it finds the person has available assets equal to the amount of the proposed bond or for other good cause shown. (Added 2013, No. 44, § 6; 2013, No. 47, § 2, eff. May 24, 2013.)

§ 4199. Enforcement; remedies; damages

(a) The Attorney General shall have the same authority under this chapter to make rules, conduct civil investigations, bring civil actions, and enter into assurances of discontinuance as

provided under chapter 63 of this title. In an action brought by the Attorney General under this chapter, the court may award or impose any relief available under chapter 63 of this title.

(b) A target of conduct involving assertions of patent infringement, or a person aggrieved by a violation of this chapter or by a violation of rules adopted under this chapter, may bring an action in Superior Court. A court may award the following remedies to a plaintiff who prevails in an action brought pursuant to this subsection:

- (1) equitable relief;
- (2) damages;
- (3) costs and fees, including reasonable attorney's fees; and
- (4) exemplary damages in an amount equal to \$50,000.00 or three times the total of damages, costs, and fees, whichever is greater.

(c) This chapter shall not be construed to limit rights and remedies available to the State of Vermont or to any person under any other law and shall not alter or restrict the Attorney General's authority under chapter 63 of this title with regard to conduct involving assertions of patent infringement. (Added 2013, No. 44, § 6; 2013, No. 47, § 2, eff. May 24, 2013.)